

1 AN ACT concerning taxes.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Section 203 as follows:

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

7 Sec. 203. Base income defined.

8 (a) Individuals.

9 (1) In general. In the case of an individual, base
10 income means an amount equal to the taxpayer's adjusted
11 gross income for the taxable year as modified by
12 paragraph (2).

13 (2) Modifications. The adjusted gross income
14 referred to in paragraph (1) shall be modified by adding
15 thereto the sum of the following amounts:

16 (A) An amount equal to all amounts paid or
17 accrued to the taxpayer as interest or dividends
18 during the taxable year to the extent excluded from
19 gross income in the computation of adjusted gross
20 income, except stock dividends of qualified public
21 utilities described in Section 305(e) of the
22 Internal Revenue Code;

23 (B) An amount equal to the amount of tax
24 imposed by this Act to the extent deducted from
25 gross income in the computation of adjusted gross
26 income for the taxable year;

27 (C) An amount equal to the amount received
28 during the taxable year as a recovery or refund of
29 real property taxes paid with respect to the
30 taxpayer's principal residence under the Revenue Act
31 of 1939 and for which a deduction was previously

1 taken under subparagraph (L) of this paragraph (2)
2 prior to July 1, 1991, the retrospective application
3 date of Article 4 of Public Act 87-17. In the case
4 of multi-unit or multi-use structures and farm
5 dwellings, the taxes on the taxpayer's principal
6 residence shall be that portion of the total taxes
7 for the entire property which is attributable to
8 such principal residence;

9 (D) An amount equal to the amount of the
10 capital gain deduction allowable under the Internal
11 Revenue Code, to the extent deducted from gross
12 income in the computation of adjusted gross income;

13 (D-5) An amount, to the extent not included in
14 adjusted gross income, equal to the amount of money
15 withdrawn by the taxpayer in the taxable year from a
16 medical care savings account and the interest earned
17 on the account in the taxable year of a withdrawal
18 pursuant to subsection (b) of Section 20 of the
19 Medical Care Savings Account Act or subsection (b)
20 of Section 20 of the Medical Care Savings Account
21 Act of 2000;

22 (D-10) For taxable years ending after December
23 31, 1997, an amount equal to any eligible
24 remediation costs that the individual deducted in
25 computing adjusted gross income and for which the
26 individual claims a credit under subsection (l) of
27 Section 201;

28 (D-15) For taxable years 2001 and thereafter,
29 an amount equal to the bonus depreciation deduction
30 (30% of the adjusted basis of the qualified
31 property) taken on the taxpayer's federal income tax
32 return for the taxable year under subsection (k) of
33 Section 168 of the Internal Revenue Code; and

34 (D-16) If the taxpayer reports a capital gain

1 or loss on the taxpayer's federal income tax return
 2 for the taxable year based on a sale or transfer of
 3 property for which the taxpayer was required in any
 4 taxable year to make an addition modification under
 5 subparagraph (D-15), then an amount equal to the
 6 aggregate amount of the deductions taken in all
 7 taxable years under subparagraph (Z) with respect to
 8 that property.†

9 The taxpayer is required to make the addition
 10 modification under this subparagraph only once with
 11 respect to any one piece of property;† and

12 (D-20) ~~(D-15)~~ For taxable years beginning on
 13 or after January 1, 2002, in the case of a
 14 distribution from a qualified tuition program under
 15 Section 529 of the Internal Revenue Code, other than
 16 (i) a distribution from a College Savings Pool
 17 created under Section 16.5 of the State Treasurer
 18 Act or (ii) a distribution from the Illinois Prepaid
 19 Tuition Trust Fund, an amount equal to the amount
 20 excluded from gross income under Section
 21 529(c)(3)(B);

22 and by deducting from the total so obtained the sum of
 23 the following amounts:

24 (E) For taxable years ending before December
 25 31, 2001, any amount included in such total in
 26 respect of any compensation (including but not
 27 limited to any compensation paid or accrued to a
 28 serviceman while a prisoner of war or missing in
 29 action) paid to a resident by reason of being on
 30 active duty in the Armed Forces of the United States
 31 and in respect of any compensation paid or accrued
 32 to a resident who as a governmental employee was a
 33 prisoner of war or missing in action, and in respect
 34 of any compensation paid to a resident in 1971 or

1 thereafter for annual training performed pursuant to
2 Sections 502 and 503, Title 32, United States Code
3 as a member of the Illinois National Guard. For
4 taxable years ending on or after December 31, 2001,
5 any amount included in such total in respect of any
6 compensation (including but not limited to any
7 compensation paid or accrued to a serviceman while a
8 prisoner of war or missing in action) paid to a
9 resident by reason of being a member of any
10 component of the Armed Forces of the United States
11 and in respect of any compensation paid or accrued
12 to a resident who as a governmental employee was a
13 prisoner of war or missing in action, and in respect
14 of any compensation paid to a resident in 2001 or
15 thereafter by reason of being a member of the
16 Illinois National Guard. The provisions of this
17 amendatory Act of the 92nd General Assembly are
18 exempt from the provisions of Section 250;

19 (F) An amount equal to all amounts included in
20 such total pursuant to the provisions of Sections
21 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
22 408 of the Internal Revenue Code, or included in
23 such total as distributions under the provisions of
24 any retirement or disability plan for employees of
25 any governmental agency or unit, or retirement
26 payments to retired partners, which payments are
27 excluded in computing net earnings from self
28 employment by Section 1402 of the Internal Revenue
29 Code and regulations adopted pursuant thereto;

30 (G) The valuation limitation amount;

31 (H) An amount equal to the amount of any tax
32 imposed by this Act which was refunded to the
33 taxpayer and included in such total for the taxable
34 year;

1 (I) An amount equal to all amounts included in
2 such total pursuant to the provisions of Section 111
3 of the Internal Revenue Code as a recovery of items
4 previously deducted from adjusted gross income in
5 the computation of taxable income;

6 (J) An amount equal to those dividends
7 included in such total which were paid by a
8 corporation which conducts business operations in an
9 Enterprise Zone or zones created under the Illinois
10 Enterprise Zone Act, and conducts substantially all
11 of its operations in an Enterprise Zone or zones;

12 (K) An amount equal to those dividends
13 included in such total that were paid by a
14 corporation that conducts business operations in a
15 federally designated Foreign Trade Zone or Sub-Zone
16 and that is designated a High Impact Business
17 located in Illinois; provided that dividends
18 eligible for the deduction provided in subparagraph
19 (J) of paragraph (2) of this subsection shall not be
20 eligible for the deduction provided under this
21 subparagraph (K);

22 (L) For taxable years ending after December
23 31, 1983, an amount equal to all social security
24 benefits and railroad retirement benefits included
25 in such total pursuant to Sections 72(r) and 86 of
26 the Internal Revenue Code;

27 (M) With the exception of any amounts
28 subtracted under subparagraph (N), an amount equal
29 to the sum of all amounts disallowed as deductions
30 by (i) Sections 171(a) (2), and 265(2) of the
31 Internal Revenue Code of 1954, as now or hereafter
32 amended, and all amounts of expenses allocable to
33 interest and disallowed as deductions by Section
34 265(1) of the Internal Revenue Code of 1954, as now

1 or hereafter amended; and (ii) for taxable years
2 ending on or after August 13, 1999, Sections
3 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
4 Internal Revenue Code; the provisions of this
5 subparagraph are exempt from the provisions of
6 Section 250;

7 (N) An amount equal to all amounts included in
8 such total which are exempt from taxation by this
9 State either by reason of its statutes or
10 Constitution or by reason of the Constitution,
11 treaties or statutes of the United States; provided
12 that, in the case of any statute of this State that
13 exempts income derived from bonds or other
14 obligations from the tax imposed under this Act, the
15 amount exempted shall be the interest net of bond
16 premium amortization;

17 (O) An amount equal to any contribution made
18 to a job training project established pursuant to
19 the Tax Increment Allocation Redevelopment Act;

20 (P) An amount equal to the amount of the
21 deduction used to compute the federal income tax
22 credit for restoration of substantial amounts held
23 under claim of right for the taxable year pursuant
24 to Section 1341 of the Internal Revenue Code of
25 1986;

26 (Q) An amount equal to any amounts included in
27 such total, received by the taxpayer as an
28 acceleration in the payment of life, endowment or
29 annuity benefits in advance of the time they would
30 otherwise be payable as an indemnity for a terminal
31 illness;

32 (R) An amount equal to the amount of any
33 federal or State bonus paid to veterans of the
34 Persian Gulf War;

1 (S) An amount, to the extent included in
2 adjusted gross income, equal to the amount of a
3 contribution made in the taxable year on behalf of
4 the taxpayer to a medical care savings account
5 established under the Medical Care Savings Account
6 Act or the Medical Care Savings Account Act of 2000
7 to the extent the contribution is accepted by the
8 account administrator as provided in that Act;

9 (T) An amount, to the extent included in
10 adjusted gross income, equal to the amount of
11 interest earned in the taxable year on a medical
12 care savings account established under the Medical
13 Care Savings Account Act or the Medical Care Savings
14 Account Act of 2000 on behalf of the taxpayer, other
15 than interest added pursuant to item (D-5) of this
16 paragraph (2);

17 (U) For one taxable year beginning on or after
18 January 1, 1994, an amount equal to the total amount
19 of tax imposed and paid under subsections (a) and
20 (b) of Section 201 of this Act on grant amounts
21 received by the taxpayer under the Nursing Home
22 Grant Assistance Act during the taxpayer's taxable
23 years 1992 and 1993;

24 (V) Beginning with tax years ending on or
25 after December 31, 1995 and ending with tax years
26 ending on or before December 31, 2004, an amount
27 equal to the amount paid by a taxpayer who is a
28 self-employed taxpayer, a partner of a partnership,
29 or a shareholder in a Subchapter S corporation for
30 health insurance or long-term care insurance for
31 that taxpayer or that taxpayer's spouse or
32 dependents, to the extent that the amount paid for
33 that health insurance or long-term care insurance
34 may be deducted under Section 213 of the Internal

1 Revenue Code of 1986, has not been deducted on the
2 federal income tax return of the taxpayer, and does
3 not exceed the taxable income attributable to that
4 taxpayer's income, self-employment income, or
5 Subchapter S corporation income; except that no
6 deduction shall be allowed under this item (V) if
7 the taxpayer is eligible to participate in any
8 health insurance or long-term care insurance plan of
9 an employer of the taxpayer or the taxpayer's
10 spouse. The amount of the health insurance and
11 long-term care insurance subtracted under this item
12 (V) shall be determined by multiplying total health
13 insurance and long-term care insurance premiums paid
14 by the taxpayer times a number that represents the
15 fractional percentage of eligible medical expenses
16 under Section 213 of the Internal Revenue Code of
17 1986 not actually deducted on the taxpayer's federal
18 income tax return;

19 (W) For taxable years beginning on or after
20 January 1, 1998, all amounts included in the
21 taxpayer's federal gross income in the taxable year
22 from amounts converted from a regular IRA to a Roth
23 IRA. This paragraph is exempt from the provisions of
24 Section 250;

25 (X) For taxable year 1999 and thereafter, an
26 amount equal to the amount of any (i) distributions,
27 to the extent includible in gross income for federal
28 income tax purposes, made to the taxpayer because of
29 his or her status as a victim of persecution for
30 racial or religious reasons by Nazi Germany or any
31 other Axis regime or as an heir of the victim and
32 (ii) items of income, to the extent includible in
33 gross income for federal income tax purposes,
34 attributable to, derived from or in any way related

1 to assets stolen from, hidden from, or otherwise
2 lost to a victim of persecution for racial or
3 religious reasons by Nazi Germany or any other Axis
4 regime immediately prior to, during, and immediately
5 after World War II, including, but not limited to,
6 interest on the proceeds receivable as insurance
7 under policies issued to a victim of persecution for
8 racial or religious reasons by Nazi Germany or any
9 other Axis regime by European insurance companies
10 immediately prior to and during World War II;
11 provided, however, this subtraction from federal
12 adjusted gross income does not apply to assets
13 acquired with such assets or with the proceeds from
14 the sale of such assets; provided, further, this
15 paragraph shall only apply to a taxpayer who was the
16 first recipient of such assets after their recovery
17 and who is a victim of persecution for racial or
18 religious reasons by Nazi Germany or any other Axis
19 regime or as an heir of the victim. The amount of
20 and the eligibility for any public assistance,
21 benefit, or similar entitlement is not affected by
22 the inclusion of items (i) and (ii) of this
23 paragraph in gross income for federal income tax
24 purposes. This paragraph is exempt from the
25 provisions of Section 250;

26 (Y) For taxable years beginning on or after
27 January 1, 2002, moneys contributed in the taxable
28 year to a College Savings Pool account under Section
29 16.5 of the State Treasurer Act, except that amounts
30 excluded from gross income under Section
31 529(c)(3)(C)(i) of the Internal Revenue Code shall
32 not be considered moneys contributed under this
33 subparagraph (Y). This subparagraph (Y) is exempt
34 from the provisions of Section 250;

1 (Z) For taxable years 2001 and thereafter, for
2 the taxable year in which the bonus depreciation
3 deduction (30% of the adjusted basis of the
4 qualified property) is taken on the taxpayer's
5 federal income tax return under subsection (k) of
6 Section 168 of the Internal Revenue Code and for
7 each applicable taxable year thereafter, an amount
8 equal to "x", where:

9 (1) "y" equals the amount of the
10 depreciation deduction taken for the taxable
11 year on the taxpayer's federal income tax
12 return on property for which the bonus
13 depreciation deduction (30% of the adjusted
14 basis of the qualified property) was taken in
15 any year under subsection (k) of Section 168 of
16 the Internal Revenue Code, but not including
17 the bonus depreciation deduction; and

18 (2) "x" equals "y" multiplied by 30 and
19 then divided by 70 (or "y" multiplied by
20 0.429).

21 The aggregate amount deducted under this
22 subparagraph in all taxable years for any one piece
23 of property may not exceed the amount of the bonus
24 depreciation deduction (30% of the adjusted basis of
25 the qualified property) taken on that property on
26 the taxpayer's federal income tax return under
27 subsection (k) of Section 168 of the Internal
28 Revenue Code; and

29 (AA) If the taxpayer reports a capital gain or
30 loss on the taxpayer's federal income tax return for
31 the taxable year based on a sale or transfer of
32 property for which the taxpayer was required in any
33 taxable year to make an addition modification under
34 subparagraph (D-15), then an amount equal to that

1 addition modification.

2 The taxpayer is allowed to take the deduction
3 under this subparagraph only once with respect to
4 any one piece of property; and

5 (BB) †Z‡ Any amount included in adjusted gross
6 income, other than salary, received by a driver in a
7 ridesharing arrangement using a motor vehicle; and

8 (CC) For taxable years beginning on or after
9 January 1, 2003, and on or before December 31, 2007,
10 moneys contributed during the taxable year by the
11 taxpayer for the purchase of an Illinois prepaid
12 tuition contract, as defined in the Illinois Prepaid
13 Tuition Act, except that amounts excluded from gross
14 income under Section 529(c)(3)(C)(i) of the Internal
15 Revenue Code shall not be considered moneys
16 contributed under this subparagraph (CC).

17 (b) Corporations.

18 (1) In general. In the case of a corporation, base
19 income means an amount equal to the taxpayer's taxable
20 income for the taxable year as modified by paragraph (2).

21 (2) Modifications. The taxable income referred to
22 in paragraph (1) shall be modified by adding thereto the
23 sum of the following amounts:

24 (A) An amount equal to all amounts paid or
25 accrued to the taxpayer as interest and all
26 distributions received from regulated investment
27 companies during the taxable year to the extent
28 excluded from gross income in the computation of
29 taxable income;

30 (B) An amount equal to the amount of tax
31 imposed by this Act to the extent deducted from
32 gross income in the computation of taxable income
33 for the taxable year;

34 (C) In the case of a regulated investment

1 company, an amount equal to the excess of (i) the
2 net long-term capital gain for the taxable year,
3 over (ii) the amount of the capital gain dividends
4 designated as such in accordance with Section
5 852(b)(3)(C) of the Internal Revenue Code and any
6 amount designated under Section 852(b)(3)(D) of the
7 Internal Revenue Code, attributable to the taxable
8 year (this amendatory Act of 1995 (Public Act 89-89)
9 is declarative of existing law and is not a new
10 enactment);

11 (D) The amount of any net operating loss
12 deduction taken in arriving at taxable income, other
13 than a net operating loss carried forward from a
14 taxable year ending prior to December 31, 1986;

15 (E) For taxable years in which a net operating
16 loss carryback or carryforward from a taxable year
17 ending prior to December 31, 1986 is an element of
18 taxable income under paragraph (1) of subsection (e)
19 or subparagraph (E) of paragraph (2) of subsection
20 (e), the amount by which addition modifications
21 other than those provided by this subparagraph (E)
22 exceeded subtraction modifications in such earlier
23 taxable year, with the following limitations applied
24 in the order that they are listed:

25 (i) the addition modification relating to
26 the net operating loss carried back or forward
27 to the taxable year from any taxable year
28 ending prior to December 31, 1986 shall be
29 reduced by the amount of addition modification
30 under this subparagraph (E) which related to
31 that net operating loss and which was taken
32 into account in calculating the base income of
33 an earlier taxable year, and

34 (ii) the addition modification relating

1 to the net operating loss carried back or
2 forward to the taxable year from any taxable
3 year ending prior to December 31, 1986 shall
4 not exceed the amount of such carryback or
5 carryforward;

6 For taxable years in which there is a net
7 operating loss carryback or carryforward from more
8 than one other taxable year ending prior to December
9 31, 1986, the addition modification provided in this
10 subparagraph (E) shall be the sum of the amounts
11 computed independently under the preceding
12 provisions of this subparagraph (E) for each such
13 taxable year;

14 (E-5) For taxable years ending after December
15 31, 1997, an amount equal to any eligible
16 remediation costs that the corporation deducted in
17 computing adjusted gross income and for which the
18 corporation claims a credit under subsection (l) of
19 Section 201;

20 (E-10) For taxable years 2001 and thereafter,
21 an amount equal to the bonus depreciation deduction
22 (30% of the adjusted basis of the qualified
23 property) taken on the taxpayer's federal income tax
24 return for the taxable year under subsection (k) of
25 Section 168 of the Internal Revenue Code; and

26 (E-11) If the taxpayer reports a capital gain
27 or loss on the taxpayer's federal income tax return
28 for the taxable year based on a sale or transfer of
29 property for which the taxpayer was required in any
30 taxable year to make an addition modification under
31 subparagraph (E-10), then an amount equal to the
32 aggregate amount of the deductions taken in all
33 taxable years under subparagraph (T) with respect to
34 that property.†

1 The taxpayer is required to make the addition
2 modification under this subparagraph only once with
3 respect to any one piece of property;

4 and by deducting from the total so obtained the sum of
5 the following amounts:

6 (F) An amount equal to the amount of any tax
7 imposed by this Act which was refunded to the
8 taxpayer and included in such total for the taxable
9 year;

10 (G) An amount equal to any amount included in
11 such total under Section 78 of the Internal Revenue
12 Code;

13 (H) In the case of a regulated investment
14 company, an amount equal to the amount of exempt
15 interest dividends as defined in subsection (b) (5)
16 of Section 852 of the Internal Revenue Code, paid to
17 shareholders for the taxable year;

18 (I) With the exception of any amounts
19 subtracted under subparagraph (J), an amount equal
20 to the sum of all amounts disallowed as deductions
21 by (i) Sections 171(a) (2), and 265(a)(2) and
22 amounts disallowed as interest expense by Section
23 291(a)(3) of the Internal Revenue Code, as now or
24 hereafter amended, and all amounts of expenses
25 allocable to interest and disallowed as deductions
26 by Section 265(a)(1) of the Internal Revenue Code,
27 as now or hereafter amended; and (ii) for taxable
28 years ending on or after August 13, 1999, Sections
29 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)
30 of the Internal Revenue Code; the provisions of this
31 subparagraph are exempt from the provisions of
32 Section 250;

33 (J) An amount equal to all amounts included in
34 such total which are exempt from taxation by this

1 State either by reason of its statutes or
2 Constitution or by reason of the Constitution,
3 treaties or statutes of the United States; provided
4 that, in the case of any statute of this State that
5 exempts income derived from bonds or other
6 obligations from the tax imposed under this Act, the
7 amount exempted shall be the interest net of bond
8 premium amortization;

9 (K) An amount equal to those dividends
10 included in such total which were paid by a
11 corporation which conducts business operations in an
12 Enterprise Zone or zones created under the Illinois
13 Enterprise Zone Act and conducts substantially all
14 of its operations in an Enterprise Zone or zones;

15 (L) An amount equal to those dividends
16 included in such total that were paid by a
17 corporation that conducts business operations in a
18 federally designated Foreign Trade Zone or Sub-Zone
19 and that is designated a High Impact Business
20 located in Illinois; provided that dividends
21 eligible for the deduction provided in subparagraph
22 (K) of paragraph 2 of this subsection shall not be
23 eligible for the deduction provided under this
24 subparagraph (L);

25 (M) For any taxpayer that is a financial
26 organization within the meaning of Section 304(c) of
27 this Act, an amount included in such total as
28 interest income from a loan or loans made by such
29 taxpayer to a borrower, to the extent that such a
30 loan is secured by property which is eligible for
31 the Enterprise Zone Investment Credit. To determine
32 the portion of a loan or loans that is secured by
33 property eligible for a Section 201(f) investment
34 credit to the borrower, the entire principal amount

1 of the loan or loans between the taxpayer and the
2 borrower should be divided into the basis of the
3 Section 201(f) investment credit property which
4 secures the loan or loans, using for this purpose
5 the original basis of such property on the date that
6 it was placed in service in the Enterprise Zone.
7 The subtraction modification available to taxpayer
8 in any year under this subsection shall be that
9 portion of the total interest paid by the borrower
10 with respect to such loan attributable to the
11 eligible property as calculated under the previous
12 sentence;

13 (M-1) For any taxpayer that is a financial
14 organization within the meaning of Section 304(c) of
15 this Act, an amount included in such total as
16 interest income from a loan or loans made by such
17 taxpayer to a borrower, to the extent that such a
18 loan is secured by property which is eligible for
19 the High Impact Business Investment Credit. To
20 determine the portion of a loan or loans that is
21 secured by property eligible for a Section 201(h)
22 investment credit to the borrower, the entire
23 principal amount of the loan or loans between the
24 taxpayer and the borrower should be divided into the
25 basis of the Section 201(h) investment credit
26 property which secures the loan or loans, using for
27 this purpose the original basis of such property on
28 the date that it was placed in service in a
29 federally designated Foreign Trade Zone or Sub-Zone
30 located in Illinois. No taxpayer that is eligible
31 for the deduction provided in subparagraph (M) of
32 paragraph (2) of this subsection shall be eligible
33 for the deduction provided under this subparagraph
34 (M-1). The subtraction modification available to

1 taxpayers in any year under this subsection shall be
2 that portion of the total interest paid by the
3 borrower with respect to such loan attributable to
4 the eligible property as calculated under the
5 previous sentence;

6 (N) Two times any contribution made during the
7 taxable year to a designated zone organization to
8 the extent that the contribution (i) qualifies as a
9 charitable contribution under subsection (c) of
10 Section 170 of the Internal Revenue Code and (ii)
11 must, by its terms, be used for a project approved
12 by the Department of Commerce and Community Affairs
13 under Section 11 of the Illinois Enterprise Zone
14 Act;

15 (O) An amount equal to: (i) 85% for taxable
16 years ending on or before December 31, 1992, or, a
17 percentage equal to the percentage allowable under
18 Section 243(a)(1) of the Internal Revenue Code of
19 1986 for taxable years ending after December 31,
20 1992, of the amount by which dividends included in
21 taxable income and received from a corporation that
22 is not created or organized under the laws of the
23 United States or any state or political subdivision
24 thereof, including, for taxable years ending on or
25 after December 31, 1988, dividends received or
26 deemed received or paid or deemed paid under
27 Sections 951 through 964 of the Internal Revenue
28 Code, exceed the amount of the modification provided
29 under subparagraph (G) of paragraph (2) of this
30 subsection (b) which is related to such dividends;
31 plus (ii) 100% of the amount by which dividends,
32 included in taxable income and received, including,
33 for taxable years ending on or after December 31,
34 1988, dividends received or deemed received or paid

1 or deemed paid under Sections 951 through 964 of the
2 Internal Revenue Code, from any such corporation
3 specified in clause (i) that would but for the
4 provisions of Section 1504 (b) (3) of the Internal
5 Revenue Code be treated as a member of the
6 affiliated group which includes the dividend
7 recipient, exceed the amount of the modification
8 provided under subparagraph (G) of paragraph (2) of
9 this subsection (b) which is related to such
10 dividends;

11 (P) An amount equal to any contribution made
12 to a job training project established pursuant to
13 the Tax Increment Allocation Redevelopment Act;

14 (Q) An amount equal to the amount of the
15 deduction used to compute the federal income tax
16 credit for restoration of substantial amounts held
17 under claim of right for the taxable year pursuant
18 to Section 1341 of the Internal Revenue Code of
19 1986;

20 (R) In the case of an attorney-in-fact with
21 respect to whom an interinsurer or a reciprocal
22 insurer has made the election under Section 835 of
23 the Internal Revenue Code, 26 U.S.C. 835, an amount
24 equal to the excess, if any, of the amounts paid or
25 incurred by that interinsurer or reciprocal insurer
26 in the taxable year to the attorney-in-fact over the
27 deduction allowed to that interinsurer or reciprocal
28 insurer with respect to the attorney-in-fact under
29 Section 835(b) of the Internal Revenue Code for the
30 taxable year;

31 (S) For taxable years ending on or after
32 December 31, 1997, in the case of a Subchapter S
33 corporation, an amount equal to all amounts of
34 income allocable to a shareholder subject to the

1 Personal Property Tax Replacement Income Tax imposed
2 by subsections (c) and (d) of Section 201 of this
3 Act, including amounts allocable to organizations
4 exempt from federal income tax by reason of Section
5 501(a) of the Internal Revenue Code. This
6 subparagraph (S) is exempt from the provisions of
7 Section 250;

8 (T) For taxable years 2001 and thereafter, for
9 the taxable year in which the bonus depreciation
10 deduction (30% of the adjusted basis of the
11 qualified property) is taken on the taxpayer's
12 federal income tax return under subsection (k) of
13 Section 168 of the Internal Revenue Code and for
14 each applicable taxable year thereafter, an amount
15 equal to "x", where:

16 (1) "y" equals the amount of the
17 depreciation deduction taken for the taxable
18 year on the taxpayer's federal income tax
19 return on property for which the bonus
20 depreciation deduction (30% of the adjusted
21 basis of the qualified property) was taken in
22 any year under subsection (k) of Section 168 of
23 the Internal Revenue Code, but not including
24 the bonus depreciation deduction; and

25 (2) "x" equals "y" multiplied by 30 and
26 then divided by 70 (or "y" multiplied by
27 0.429).

28 The aggregate amount deducted under this
29 subparagraph in all taxable years for any one piece
30 of property may not exceed the amount of the bonus
31 depreciation deduction (30% of the adjusted basis of
32 the qualified property) taken on that property on
33 the taxpayer's federal income tax return under
34 subsection (k) of Section 168 of the Internal

1 Revenue Code; and

2 (U) If the taxpayer reports a capital gain or
3 loss on the taxpayer's federal income tax return for
4 the taxable year based on a sale or transfer of
5 property for which the taxpayer was required in any
6 taxable year to make an addition modification under
7 subparagraph (E-10), then an amount equal to that
8 addition modification.

9 The taxpayer is allowed to take the deduction
10 under this subparagraph only once with respect to
11 any one piece of property; and

12 (V) For taxable years beginning on or after
13 January 1, 2003, and on or before December 31, 2007,
14 moneys contributed during the taxable year by the
15 taxpayer for the purchase of an Illinois prepaid
16 tuition contract, as defined in the Illinois Prepaid
17 Tuition Act, except that amounts excluded from gross
18 income under Section 529(c)(3)(C)(i) of the Internal
19 Revenue Code shall not be considered moneys
20 contributed under this subparagraph (V).

21 (3) Special rule. For purposes of paragraph (2)
22 (A), "gross income" in the case of a life insurance
23 company, for tax years ending on and after December 31,
24 1994, shall mean the gross investment income for the
25 taxable year.

26 (c) Trusts and estates.

27 (1) In general. In the case of a trust or estate,
28 base income means an amount equal to the taxpayer's
29 taxable income for the taxable year as modified by
30 paragraph (2).

31 (2) Modifications. Subject to the provisions of
32 paragraph (3), the taxable income referred to in
33 paragraph (1) shall be modified by adding thereto the sum
34 of the following amounts:

1 (A) An amount equal to all amounts paid or
2 accrued to the taxpayer as interest or dividends
3 during the taxable year to the extent excluded from
4 gross income in the computation of taxable income;

5 (B) In the case of (i) an estate, \$600; (ii) a
6 trust which, under its governing instrument, is
7 required to distribute all of its income currently,
8 \$300; and (iii) any other trust, \$100, but in each
9 such case, only to the extent such amount was
10 deducted in the computation of taxable income;

11 (C) An amount equal to the amount of tax
12 imposed by this Act to the extent deducted from
13 gross income in the computation of taxable income
14 for the taxable year;

15 (D) The amount of any net operating loss
16 deduction taken in arriving at taxable income, other
17 than a net operating loss carried forward from a
18 taxable year ending prior to December 31, 1986;

19 (E) For taxable years in which a net operating
20 loss carryback or carryforward from a taxable year
21 ending prior to December 31, 1986 is an element of
22 taxable income under paragraph (1) of subsection (e)
23 or subparagraph (E) of paragraph (2) of subsection
24 (e), the amount by which addition modifications
25 other than those provided by this subparagraph (E)
26 exceeded subtraction modifications in such taxable
27 year, with the following limitations applied in the
28 order that they are listed:

29 (i) the addition modification relating to
30 the net operating loss carried back or forward
31 to the taxable year from any taxable year
32 ending prior to December 31, 1986 shall be
33 reduced by the amount of addition modification
34 under this subparagraph (E) which related to

1 that net operating loss and which was taken
2 into account in calculating the base income of
3 an earlier taxable year, and

4 (ii) the addition modification relating
5 to the net operating loss carried back or
6 forward to the taxable year from any taxable
7 year ending prior to December 31, 1986 shall
8 not exceed the amount of such carryback or
9 carryforward;

10 For taxable years in which there is a net
11 operating loss carryback or carryforward from more
12 than one other taxable year ending prior to December
13 31, 1986, the addition modification provided in this
14 subparagraph (E) shall be the sum of the amounts
15 computed independently under the preceding
16 provisions of this subparagraph (E) for each such
17 taxable year;

18 (F) For taxable years ending on or after
19 January 1, 1989, an amount equal to the tax deducted
20 pursuant to Section 164 of the Internal Revenue Code
21 if the trust or estate is claiming the same tax for
22 purposes of the Illinois foreign tax credit under
23 Section 601 of this Act;

24 (G) An amount equal to the amount of the
25 capital gain deduction allowable under the Internal
26 Revenue Code, to the extent deducted from gross
27 income in the computation of taxable income;

28 (G-5) For taxable years ending after December
29 31, 1997, an amount equal to any eligible
30 remediation costs that the trust or estate deducted
31 in computing adjusted gross income and for which the
32 trust or estate claims a credit under subsection (1)
33 of Section 201;

34 (G-10) For taxable years 2001 and thereafter,

1 an amount equal to the bonus depreciation deduction
2 (30% of the adjusted basis of the qualified
3 property) taken on the taxpayer's federal income tax
4 return for the taxable year under subsection (k) of
5 Section 168 of the Internal Revenue Code; and

6 (G-11) If the taxpayer reports a capital gain
7 or loss on the taxpayer's federal income tax return
8 for the taxable year based on a sale or transfer of
9 property for which the taxpayer was required in any
10 taxable year to make an addition modification under
11 subparagraph (G-10), then an amount equal to the
12 aggregate amount of the deductions taken in all
13 taxable years under subparagraph (R) with respect to
14 that property.†

15 The taxpayer is required to make the addition
16 modification under this subparagraph only once with
17 respect to any one piece of property;

18 and by deducting from the total so obtained the sum of
19 the following amounts:

20 (H) An amount equal to all amounts included in
21 such total pursuant to the provisions of Sections
22 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and
23 408 of the Internal Revenue Code or included in such
24 total as distributions under the provisions of any
25 retirement or disability plan for employees of any
26 governmental agency or unit, or retirement payments
27 to retired partners, which payments are excluded in
28 computing net earnings from self employment by
29 Section 1402 of the Internal Revenue Code and
30 regulations adopted pursuant thereto;

31 (I) The valuation limitation amount;

32 (J) An amount equal to the amount of any tax
33 imposed by this Act which was refunded to the
34 taxpayer and included in such total for the taxable

1 year;

2 (K) An amount equal to all amounts included in
3 taxable income as modified by subparagraphs (A),
4 (B), (C), (D), (E), (F) and (G) which are exempt
5 from taxation by this State either by reason of its
6 statutes or Constitution or by reason of the
7 Constitution, treaties or statutes of the United
8 States; provided that, in the case of any statute of
9 this State that exempts income derived from bonds or
10 other obligations from the tax imposed under this
11 Act, the amount exempted shall be the interest net
12 of bond premium amortization;

13 (L) With the exception of any amounts
14 subtracted under subparagraph (K), an amount equal
15 to the sum of all amounts disallowed as deductions
16 by (i) Sections 171(a) (2) and 265(a)(2) of the
17 Internal Revenue Code, as now or hereafter amended,
18 and all amounts of expenses allocable to interest
19 and disallowed as deductions by Section 265(1) of
20 the Internal Revenue Code of 1954, as now or
21 hereafter amended; and (ii) for taxable years ending
22 on or after August 13, 1999, Sections 171(a)(2),
23 265, 280C, and 832(b)(5)(B)(i) of the Internal
24 Revenue Code; the provisions of this subparagraph
25 are exempt from the provisions of Section 250;

26 (M) An amount equal to those dividends
27 included in such total which were paid by a
28 corporation which conducts business operations in an
29 Enterprise Zone or zones created under the Illinois
30 Enterprise Zone Act and conducts substantially all
31 of its operations in an Enterprise Zone or Zones;

32 (N) An amount equal to any contribution made
33 to a job training project established pursuant to
34 the Tax Increment Allocation Redevelopment Act;

1 (O) An amount equal to those dividends
2 included in such total that were paid by a
3 corporation that conducts business operations in a
4 federally designated Foreign Trade Zone or Sub-Zone
5 and that is designated a High Impact Business
6 located in Illinois; provided that dividends
7 eligible for the deduction provided in subparagraph
8 (M) of paragraph (2) of this subsection shall not be
9 eligible for the deduction provided under this
10 subparagraph (O);

11 (P) An amount equal to the amount of the
12 deduction used to compute the federal income tax
13 credit for restoration of substantial amounts held
14 under claim of right for the taxable year pursuant
15 to Section 1341 of the Internal Revenue Code of
16 1986;

17 (Q) For taxable year 1999 and thereafter, an
18 amount equal to the amount of any (i) distributions,
19 to the extent includible in gross income for federal
20 income tax purposes, made to the taxpayer because of
21 his or her status as a victim of persecution for
22 racial or religious reasons by Nazi Germany or any
23 other Axis regime or as an heir of the victim and
24 (ii) items of income, to the extent includible in
25 gross income for federal income tax purposes,
26 attributable to, derived from or in any way related
27 to assets stolen from, hidden from, or otherwise
28 lost to a victim of persecution for racial or
29 religious reasons by Nazi Germany or any other Axis
30 regime immediately prior to, during, and immediately
31 after World War II, including, but not limited to,
32 interest on the proceeds receivable as insurance
33 under policies issued to a victim of persecution for
34 racial or religious reasons by Nazi Germany or any

1 other Axis regime by European insurance companies
2 immediately prior to and during World War II;
3 provided, however, this subtraction from federal
4 adjusted gross income does not apply to assets
5 acquired with such assets or with the proceeds from
6 the sale of such assets; provided, further, this
7 paragraph shall only apply to a taxpayer who was the
8 first recipient of such assets after their recovery
9 and who is a victim of persecution for racial or
10 religious reasons by Nazi Germany or any other Axis
11 regime or as an heir of the victim. The amount of
12 and the eligibility for any public assistance,
13 benefit, or similar entitlement is not affected by
14 the inclusion of items (i) and (ii) of this
15 paragraph in gross income for federal income tax
16 purposes. This paragraph is exempt from the
17 provisions of Section 250;

18 (R) For taxable years 2001 and thereafter, for
19 the taxable year in which the bonus depreciation
20 deduction (30% of the adjusted basis of the
21 qualified property) is taken on the taxpayer's
22 federal income tax return under subsection (k) of
23 Section 168 of the Internal Revenue Code and for
24 each applicable taxable year thereafter, an amount
25 equal to "x", where:

26 (1) "y" equals the amount of the
27 depreciation deduction taken for the taxable
28 year on the taxpayer's federal income tax
29 return on property for which the bonus
30 depreciation deduction (30% of the adjusted
31 basis of the qualified property) was taken in
32 any year under subsection (k) of Section 168 of
33 the Internal Revenue Code, but not including
34 the bonus depreciation deduction; and

1 (2) "x" equals "y" multiplied by 30 and
2 then divided by 70 (or "y" multiplied by
3 0.429).

4 The aggregate amount deducted under this
5 subparagraph in all taxable years for any one piece
6 of property may not exceed the amount of the bonus
7 depreciation deduction (30% of the adjusted basis of
8 the qualified property) taken on that property on
9 the taxpayer's federal income tax return under
10 subsection (k) of Section 168 of the Internal
11 Revenue Code; and

12 (S) If the taxpayer reports a capital gain or
13 loss on the taxpayer's federal income tax return for
14 the taxable year based on a sale or transfer of
15 property for which the taxpayer was required in any
16 taxable year to make an addition modification under
17 subparagraph (G-10), then an amount equal to that
18 addition modification.

19 The taxpayer is allowed to take the deduction
20 under this subparagraph only once with respect to
21 any one piece of property; and

22 (T) For taxable years beginning on or after
23 January 1, 2003, and on or before December 31, 2007,
24 moneys contributed during the taxable year by the
25 taxpayer for the purchase of an Illinois prepaid
26 tuition contract, as defined in the Illinois Prepaid
27 Tuition Act, except that amounts excluded from gross
28 income under Section 529(c)(3)(C)(i) of the Internal
29 Revenue Code shall not be considered moneys
30 contributed under this subparagraph (T).

31 (3) Limitation. The amount of any modification
32 otherwise required under this subsection shall, under
33 regulations prescribed by the Department, be adjusted by
34 any amounts included therein which were properly paid,

1 credited, or required to be distributed, or permanently
2 set aside for charitable purposes pursuant to Internal
3 Revenue Code Section 642(c) during the taxable year.

4 (d) Partnerships.

5 (1) In general. In the case of a partnership, base
6 income means an amount equal to the taxpayer's taxable
7 income for the taxable year as modified by paragraph (2).

8 (2) Modifications. The taxable income referred to
9 in paragraph (1) shall be modified by adding thereto the
10 sum of the following amounts:

11 (A) An amount equal to all amounts paid or
12 accrued to the taxpayer as interest or dividends
13 during the taxable year to the extent excluded from
14 gross income in the computation of taxable income;

15 (B) An amount equal to the amount of tax
16 imposed by this Act to the extent deducted from
17 gross income for the taxable year;

18 (C) The amount of deductions allowed to the
19 partnership pursuant to Section 707 (c) of the
20 Internal Revenue Code in calculating its taxable
21 income;

22 (D) An amount equal to the amount of the
23 capital gain deduction allowable under the Internal
24 Revenue Code, to the extent deducted from gross
25 income in the computation of taxable income;

26 (D-5) For taxable years 2001 and thereafter,
27 an amount equal to the bonus depreciation deduction
28 (30% of the adjusted basis of the qualified
29 property) taken on the taxpayer's federal income tax
30 return for the taxable year under subsection (k) of
31 Section 168 of the Internal Revenue Code; and

32 (D-6) If the taxpayer reports a capital gain
33 or loss on the taxpayer's federal income tax return
34 for the taxable year based on a sale or transfer of

1 property for which the taxpayer was required in any
2 taxable year to make an addition modification under
3 subparagraph (D-5), then an amount equal to the
4 aggregate amount of the deductions taken in all
5 taxable years under subparagraph (O) with respect to
6 that property.†

7 The taxpayer is required to make the addition
8 modification under this subparagraph only once with
9 respect to any one piece of property;

10 and by deducting from the total so obtained the following
11 amounts:

12 (E) The valuation limitation amount;

13 (F) An amount equal to the amount of any tax
14 imposed by this Act which was refunded to the
15 taxpayer and included in such total for the taxable
16 year;

17 (G) An amount equal to all amounts included in
18 taxable income as modified by subparagraphs (A),
19 (B), (C) and (D) which are exempt from taxation by
20 this State either by reason of its statutes or
21 Constitution or by reason of the Constitution,
22 treaties or statutes of the United States; provided
23 that, in the case of any statute of this State that
24 exempts income derived from bonds or other
25 obligations from the tax imposed under this Act, the
26 amount exempted shall be the interest net of bond
27 premium amortization;

28 (H) Any income of the partnership which
29 constitutes personal service income as defined in
30 Section 1348 (b) (1) of the Internal Revenue Code
31 (as in effect December 31, 1981) or a reasonable
32 allowance for compensation paid or accrued for
33 services rendered by partners to the partnership,
34 whichever is greater;

1 (I) An amount equal to all amounts of income
2 distributable to an entity subject to the Personal
3 Property Tax Replacement Income Tax imposed by
4 subsections (c) and (d) of Section 201 of this Act
5 including amounts distributable to organizations
6 exempt from federal income tax by reason of Section
7 501(a) of the Internal Revenue Code;

8 (J) With the exception of any amounts
9 subtracted under subparagraph (G), an amount equal
10 to the sum of all amounts disallowed as deductions
11 by (i) Sections 171(a) (2), and 265(2) of the
12 Internal Revenue Code of 1954, as now or hereafter
13 amended, and all amounts of expenses allocable to
14 interest and disallowed as deductions by Section
15 265(1) of the Internal Revenue Code, as now or
16 hereafter amended; and (ii) for taxable years ending
17 on or after August 13, 1999, Sections 171(a)(2),
18 265, 280C, and 832(b)(5)(B)(i) of the Internal
19 Revenue Code; the provisions of this subparagraph
20 are exempt from the provisions of Section 250;

21 (K) An amount equal to those dividends
22 included in such total which were paid by a
23 corporation which conducts business operations in an
24 Enterprise Zone or zones created under the Illinois
25 Enterprise Zone Act, enacted by the 82nd General
26 Assembly, and conducts substantially all of its
27 operations in an Enterprise Zone or Zones;

28 (L) An amount equal to any contribution made
29 to a job training project established pursuant to
30 the Real Property Tax Increment Allocation
31 Redevelopment Act;

32 (M) An amount equal to those dividends
33 included in such total that were paid by a
34 corporation that conducts business operations in a

1 federally designated Foreign Trade Zone or Sub-Zone
2 and that is designated a High Impact Business
3 located in Illinois; provided that dividends
4 eligible for the deduction provided in subparagraph
5 (K) of paragraph (2) of this subsection shall not be
6 eligible for the deduction provided under this
7 subparagraph (M);

8 (N) An amount equal to the amount of the
9 deduction used to compute the federal income tax
10 credit for restoration of substantial amounts held
11 under claim of right for the taxable year pursuant
12 to Section 1341 of the Internal Revenue Code of
13 1986;

14 (O) For taxable years 2001 and thereafter, for
15 the taxable year in which the bonus depreciation
16 deduction (30% of the adjusted basis of the
17 qualified property) is taken on the taxpayer's
18 federal income tax return under subsection (k) of
19 Section 168 of the Internal Revenue Code and for
20 each applicable taxable year thereafter, an amount
21 equal to "x", where:

22 (1) "y" equals the amount of the
23 depreciation deduction taken for the taxable
24 year on the taxpayer's federal income tax
25 return on property for which the bonus
26 depreciation deduction (30% of the adjusted
27 basis of the qualified property) was taken in
28 any year under subsection (k) of Section 168 of
29 the Internal Revenue Code, but not including
30 the bonus depreciation deduction; and

31 (2) "x" equals "y" multiplied by 30 and
32 then divided by 70 (or "y" multiplied by
33 0.429).

34 The aggregate amount deducted under this

1 subparagraph in all taxable years for any one piece
2 of property may not exceed the amount of the bonus
3 depreciation deduction (30% of the adjusted basis of
4 the qualified property) taken on that property on
5 the taxpayer's federal income tax return under
6 subsection (k) of Section 168 of the Internal
7 Revenue Code; and

8 (P) If the taxpayer reports a capital gain or
9 loss on the taxpayer's federal income tax return for
10 the taxable year based on a sale or transfer of
11 property for which the taxpayer was required in any
12 taxable year to make an addition modification under
13 subparagraph (D-5), then an amount equal to that
14 addition modification.

15 The taxpayer is allowed to take the deduction
16 under this subparagraph only once with respect to
17 any one piece of property.

18 (Q) For taxable years beginning on or after
19 January 1, 2003, and on or before December 31, 2007,
20 moneys contributed during the taxable year by the
21 taxpayer for the purchase of an Illinois prepaid
22 tuition contract, as defined in the Illinois Prepaid
23 Tuition Act, except that amounts excluded from gross
24 income under Section 529(c)(3)(C)(i) of the Internal
25 Revenue Code shall not be considered moneys
26 contributed under this subparagraph (Q).

27 (e) Gross income; adjusted gross income; taxable income.

28 (1) In general. Subject to the provisions of
29 paragraph (2) and subsection (b) (3), for purposes of
30 this Section and Section 803(e), a taxpayer's gross
31 income, adjusted gross income, or taxable income for the
32 taxable year shall mean the amount of gross income,
33 adjusted gross income or taxable income properly
34 reportable for federal income tax purposes for the

1 taxable year under the provisions of the Internal Revenue
2 Code. Taxable income may be less than zero. However, for
3 taxable years ending on or after December 31, 1986, net
4 operating loss carryforwards from taxable years ending
5 prior to December 31, 1986, may not exceed the sum of
6 federal taxable income for the taxable year before net
7 operating loss deduction, plus the excess of addition
8 modifications over subtraction modifications for the
9 taxable year. For taxable years ending prior to December
10 31, 1986, taxable income may never be an amount in excess
11 of the net operating loss for the taxable year as defined
12 in subsections (c) and (d) of Section 172 of the Internal
13 Revenue Code, provided that when taxable income of a
14 corporation (other than a Subchapter S corporation),
15 trust, or estate is less than zero and addition
16 modifications, other than those provided by subparagraph
17 (E) of paragraph (2) of subsection (b) for corporations
18 or subparagraph (E) of paragraph (2) of subsection (c)
19 for trusts and estates, exceed subtraction modifications,
20 an addition modification must be made under those
21 subparagraphs for any other taxable year to which the
22 taxable income less than zero (net operating loss) is
23 applied under Section 172 of the Internal Revenue Code or
24 under subparagraph (E) of paragraph (2) of this
25 subsection (e) applied in conjunction with Section 172 of
26 the Internal Revenue Code.

27 (2) Special rule. For purposes of paragraph (1) of
28 this subsection, the taxable income properly reportable
29 for federal income tax purposes shall mean:

30 (A) Certain life insurance companies. In the
31 case of a life insurance company subject to the tax
32 imposed by Section 801 of the Internal Revenue Code,
33 life insurance company taxable income, plus the
34 amount of distribution from pre-1984 policyholder

1 surplus accounts as calculated under Section 815a of
2 the Internal Revenue Code;

3 (B) Certain other insurance companies. In the
4 case of mutual insurance companies subject to the
5 tax imposed by Section 831 of the Internal Revenue
6 Code, insurance company taxable income;

7 (C) Regulated investment companies. In the
8 case of a regulated investment company subject to
9 the tax imposed by Section 852 of the Internal
10 Revenue Code, investment company taxable income;

11 (D) Real estate investment trusts. In the
12 case of a real estate investment trust subject to
13 the tax imposed by Section 857 of the Internal
14 Revenue Code, real estate investment trust taxable
15 income;

16 (E) Consolidated corporations. In the case of
17 a corporation which is a member of an affiliated
18 group of corporations filing a consolidated income
19 tax return for the taxable year for federal income
20 tax purposes, taxable income determined as if such
21 corporation had filed a separate return for federal
22 income tax purposes for the taxable year and each
23 preceding taxable year for which it was a member of
24 an affiliated group. For purposes of this
25 subparagraph, the taxpayer's separate taxable income
26 shall be determined as if the election provided by
27 Section 243(b) (2) of the Internal Revenue Code had
28 been in effect for all such years;

29 (F) Cooperatives. In the case of a
30 cooperative corporation or association, the taxable
31 income of such organization determined in accordance
32 with the provisions of Section 1381 through 1388 of
33 the Internal Revenue Code;

34 (G) Subchapter S corporations. In the case

1 of: (i) a Subchapter S corporation for which there
2 is in effect an election for the taxable year under
3 Section 1362 of the Internal Revenue Code, the
4 taxable income of such corporation determined in
5 accordance with Section 1363(b) of the Internal
6 Revenue Code, except that taxable income shall take
7 into account those items which are required by
8 Section 1363(b)(1) of the Internal Revenue Code to
9 be separately stated; and (ii) a Subchapter S
10 corporation for which there is in effect a federal
11 election to opt out of the provisions of the
12 Subchapter S Revision Act of 1982 and have applied
13 instead the prior federal Subchapter S rules as in
14 effect on July 1, 1982, the taxable income of such
15 corporation determined in accordance with the
16 federal Subchapter S rules as in effect on July 1,
17 1982; and

18 (H) Partnerships. In the case of a
19 partnership, taxable income determined in accordance
20 with Section 703 of the Internal Revenue Code,
21 except that taxable income shall take into account
22 those items which are required by Section 703(a)(1)
23 to be separately stated but which would be taken
24 into account by an individual in calculating his
25 taxable income.

26 (f) Valuation limitation amount.

27 (1) In general. The valuation limitation amount
28 referred to in subsections (a) (2) (G), (c) (2) (I) and
29 (d)(2) (E) is an amount equal to:

30 (A) The sum of the pre-August 1, 1969
31 appreciation amounts (to the extent consisting of
32 gain reportable under the provisions of Section 1245
33 or 1250 of the Internal Revenue Code) for all
34 property in respect of which such gain was reported

1 for the taxable year; plus

2 (B) The lesser of (i) the sum of the
3 pre-August 1, 1969 appreciation amounts (to the
4 extent consisting of capital gain) for all property
5 in respect of which such gain was reported for
6 federal income tax purposes for the taxable year, or
7 (ii) the net capital gain for the taxable year,
8 reduced in either case by any amount of such gain
9 included in the amount determined under subsection
10 (a) (2) (F) or (c) (2) (H).

11 (2) Pre-August 1, 1969 appreciation amount.

12 (A) If the fair market value of property
13 referred to in paragraph (1) was readily
14 ascertainable on August 1, 1969, the pre-August 1,
15 1969 appreciation amount for such property is the
16 lesser of (i) the excess of such fair market value
17 over the taxpayer's basis (for determining gain) for
18 such property on that date (determined under the
19 Internal Revenue Code as in effect on that date), or
20 (ii) the total gain realized and reportable for
21 federal income tax purposes in respect of the sale,
22 exchange or other disposition of such property.

23 (B) If the fair market value of property
24 referred to in paragraph (1) was not readily
25 ascertainable on August 1, 1969, the pre-August 1,
26 1969 appreciation amount for such property is that
27 amount which bears the same ratio to the total gain
28 reported in respect of the property for federal
29 income tax purposes for the taxable year, as the
30 number of full calendar months in that part of the
31 taxpayer's holding period for the property ending
32 July 31, 1969 bears to the number of full calendar
33 months in the taxpayer's entire holding period for
34 the property.

1 (C) The Department shall prescribe such
2 regulations as may be necessary to carry out the
3 purposes of this paragraph.

4 (g) Double deductions. Unless specifically provided
5 otherwise, nothing in this Section shall permit the same item
6 to be deducted more than once.

7 (h) Legislative intention. Except as expressly provided
8 by this Section there shall be no modifications or
9 limitations on the amounts of income, gain, loss or deduction
10 taken into account in determining gross income, adjusted
11 gross income or taxable income for federal income tax
12 purposes for the taxable year, or in the amount of such items
13 entering into the computation of base income and net income
14 under this Act for such taxable year, whether in respect of
15 property values as of August 1, 1969 or otherwise.

16 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
17 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
18 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
19 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
20 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.
21 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

22 Section 10. The Illinois Prepaid Tuition Act is amended
23 by adding Section 55.1 as follows:

24 (110 ILCS 979/55.1 new)

25 Sec. 55.1. Income tax deduction. For taxable years
26 beginning on or after January 1, 2003, and on or before
27 December 31, 2007, moneys contributed during the taxable year
28 by the taxpayer for the purchase of an Illinois prepaid
29 tuition contract, except for amounts excluded from gross
30 income under Section 529(c)(3)(C)(i) of the Internal Revenue
31 Code, may be deducted from the taxpayer's adjusted gross

1 income as provided in Section 203 of the Illinois Income Tax
2 Act.

3 Section 99. Effective date. This Act takes effect upon
4 becoming law.